

# **FY 2003-04 Executive Recommendation for EDUCATION**

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**Community Colleges  
Education  
Higher Education  
School Aid / K-12**



**Summary: Executive Budget Recommendation**  
**COMMUNITY COLLEGES**  
**FY 2003-04 House Bill 4388**

**Analyst: Marilyn Peterson**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	0.0
<b>Federal</b>	0	0	0	0.0
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	2,295,982	0	(2,295,982)	(100.0)
<b>GF/GP</b>	307,512,112	289,013,100	(18,499,012)	(6.0)
<b>Gross</b>	<b>\$309,808,094</b>	<b>\$289,013,100</b>	<b>(\$20,794,994)</b>	<b>(6.7)</b>
<b>FTEs</b>	0.0	0.0	0.0	0.0

**Overview**

The Constitution charges the Legislature with enacting laws to provide for the establishment and financial support of community colleges; twenty-eight community colleges have been established under statutes that provided for the creation of community college districts coinciding with the boundaries of counties, school districts, or intermediate school districts. Community colleges are funded from several revenue streams: state aid, student tuition and fees, local property taxes, private donations, and federal grants.

Community colleges are located throughout the state and offer a full range of programs of two years or less in duration, including traditional transfer programs (for students moving on to four-year institutions), technical training programs, certificate programs, and customized training or retraining for employees in skilled positions. In recognition of the role that community colleges play in workforce development, various statutory powers and responsibilities pertaining to community colleges were transferred from the Department of Education to the Department of Career Development under Executive Reorganization Order No. 1999-7.

**Summary of Major Budget Issues**

***Reduce Operations Funding***

Executive recommends an operations funding reduction totaling \$20.5 million for the 28 community colleges; each college would experience a 6.7% reduction.

***Eliminate PASS Program***

Executive recommends elimination of the Postsecondary Access Student Success (PASS) program, which is fully supported by the Michigan Merit Award Trust Fund. Current-year funding for the 700 participants is \$700,000.

***At-Risk Student Success Program***

Executive proposes a reduction of 6.7% for the At-Risk Student Success Program. This formula grant program supports colleges' efforts to address the special needs of at-risk students and funds equipment and technology upgrades that may be (but need not be) used by such students.

**Renaissance Zone Tax Reimbursement**

Executive Recommendation includes a \$652,800 increase for renaissance zone reimbursement payments. These payments reimburse colleges for property tax revenues lost through the establishment of renaissance zones.

**MPERS Contribution Subsidy**

Contribution rate increases to the Michigan Public School Employees Retirement System (MPERS) are estimated to total \$7.0 million for the community colleges that participate in MPERS. The Executive proposes to fund the increase through a MPERS stabilization subaccount, thus enabling MPERS payments to be frozen at their current-year levels.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Across-the-Board Operations Reduction</b>		<b>Gross</b>	<b>\$309,180,888 (\$20,507,788)</b>
Executive recommends that operations funding for Michigan's 28 community colleges be reduced by 6.7% (\$20,507,788) from the current year-to-date (YTD). The Executive distributes these reductions proportionally based on each college's current YTD amount.		Restricted	1,577,522 (1,577,522)
		GF/GP	\$302,870,666 (\$18,930,266)
<b>2. Eliminate PASS Program</b>		<b>Gross</b>	<b>\$700,000 (\$700,000)</b>
Executive recommends elimination of the Postsecondary Access Student Scholarship (PASS) program, citing low participation rates (fewer than 700 students received awards last year). The PASS program is fully supported by the Michigan Merit Award Trust Fund.		Restricted	700,000 (700,000)
<b>3. At-Risk Student Success Program</b>		<b>Gross</b>	<b>\$3,562,706 (\$240,006)</b>
Executive proposes a 6.7% reduction in the at-risk student success program, which provides funding for college students who are academically at risk to help them overcome a wide range of obstacles and ensure college success.		Restricted	18,461 (18,461)
		GF/GP	\$3,544,245 (\$221,546)
<b>4. Renaissance Zone Tax Reimbursements</b>		<b>Gross</b>	<b>\$1,097,200 \$652,800</b>
Executive Recommendation includes a \$652,800 increase for Renaissance Zone Reimbursement payments. These payments hold harmless community colleges that lose money from their property tax levies due to the presence of a Renaissance Zone within their taxing authority.		GF/GP	\$1,097,200 \$652,800

**Major Boilerplate Changes from FY 2002-03:****Sec. 211. Payment of At-Risk Funding - MODIFIED**

Current-year section requires the state to pay each community college its full at-risk pupil program allocation by November 1, 2002. The Executive proposes to pay 50% of each allocation in the state's first fiscal quarter and 50% in the second fiscal quarter.

**Sec. 212. Performance Audits - MODIFIED**

Current-year section requires that at least three performance audits of community colleges be conducted. The Executive would make the provision permissive, allowing but not requiring the performance audits.

**Sec. 218. Statistical Report on Minorities and Women Employees - DELETED**

The Executive recommends deletion of a section that provides for development and distribution of a statistical report on minority and female employees.

**Sec. 219. TIFA Report - DELETED**

The Executive recommends deletion of a section that requires the Department of Treasury to report on the amount of property tax revenue forgone by community colleges due to Tax Increment Financing Authorities (TIFAs) and tax abatements.

**Sec. 403. Economic Development Job Training (EDJT) - DELETED**

The Executive recommends deletion of a section that provides for at least 70% of EDJT grant money to be awarded to community colleges.

**Sec. 404. Michigan Postsecondary Access Student Scholarship (PASS) - DELETED**

The Executive recommends elimination of the PASS program, which supports costs of tuition and fees for eligible community college students.

**Summary: Executive Budget Recommendation**  
**DEPARTMENT OF EDUCATION**  
**FY 2003-04 House Bill 4391**

**Analysts: Mary Ann Cleary, Laurie Cummings**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
<b>IDG/IDT</b>	\$1,000,000	\$1,000,000	\$0	0.0
<b>Federal</b>	166,260,200	64,479,400	(101,780,800)	(0.6)
<b>Local</b>	4,744,200	4,744,200	0	0.0
<b>Private</b>	701,400	701,400	0	0.0
<b>Restricted</b>	14,430,000	12,507,500	(1,922,500)	(0.1)
<b>GF/GP</b>	29,018,216	29,392,500	374,284	0.0
<b>Gross</b>	<b>\$216,154,016</b>	<b>\$112,825,000</b>	<b>(\$103,329,016)</b>	<b>(0.5)</b>
<b>FTEs</b>	442.1	433.1	(9.0)	0.0

**Overview**

The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. The Department of Education (DOE) is the administrative arm of the Board charged with implementing state and federal educational mandates and administering programs. Major responsibilities of the DOE include developing and overseeing the K-12 school system, certifying teachers, collecting and reporting educational data, disbursing funds to educational organizations, and providing technical assistance to local school districts.

**Summary of Major Budget Issues**

***School Breakfast Program***

The Executive recommends an increase of \$2,595,200 in GF/GP to maintain the School Breakfast Program.

***Cost Reductions from EO 2003-03***

The Governor would continue GF/GP reductions made through Executive Order 2003-03. This includes reducing costs for travel, contracted services, materials and supplies, worker's compensation, and state vehicle leases; a total savings of \$1,039,700.

***Federal Program Eliminations***

Several grants are no longer funded by the federal government; the appropriations for those grants have, therefore, been eliminated.

***State Program Eliminations***

The Executive recommended terminating the Motorcycle Safety Education Program and Off-Road Vehicle Safety Training programs, funded with restricted fees—resulting in a combined \$1,951,300 reduction.

***Administrative Savings***

The recommended budget would reduce GF/GP funding for administration by \$975,900 or 14.4%.

***Education Commission and State Tenure Commission***

The Governor would eliminate membership in the Education Commission of the States (\$99,300), and eliminate State Tenure Commission per diem payments (\$11,100).

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. School Breakfast Program</b>	<b>Gross</b>	<b>\$7,774,900</b>	<b>\$2,595,200</b>
Executive recommends an increase of 33% in GF/GP to fully fund this program. The increase of \$2.6 million covers the cost of additional students participating in the program and higher per-student costs.	GF/GP	\$7,774,900	\$2,595,200
<b>2. Elimination of Federal Grants</b>	<b>Gross</b>	<b>\$120,904,100</b>	<b>(\$100,904,100)</b>
Elimination of federal funding for the following grant programs: Class Size Reduction, Eisenhower Math and Science, Goals 2000, and Technology Literacy Challenge Grants. Funding for Urgent School Renovation was reduced by \$25 million to \$20 million at the federal level. Administration for all the above programs is also eliminated.	Federal	120,904,100	(100,904,100)
<b>3. Elimination of Motorcycle and Off-Road Vehicle Safety Programs</b>	<b>Gross</b>	<b>\$1,951,300</b>	<b>(\$1,951,300)</b>
Executive recommends elimination of these two safety programs: the Motorcycle Safety Education program at \$1.5 million and Off-Road Vehicle Safety Training program at \$421,100. Fees that currently fund these programs would be reduced accordingly.	Restricted	1,951,300	(1,951,300)
	GF/GP	\$0	\$0
<b>4. Technology Program Transfers</b>	<b>Gross</b>	<b>\$2,906,900</b>	<b>(\$685,100)</b>
Executive proposes to transfer all funding for Information Technology FTEs to the Department of Information and Technology and funding for the Center for Educational Performance and Information (CEPI) FTEs to the Department of Management and Budget. These transfers place funding for the FTE in the departments that have direct oversight of these employees.	Federal	1,045,500	(13,500)
	Restricted	168,200	0
	GF/GP	\$1,693,200	(\$671,600)
<b>5. Building Occupancy Charge Changes</b>	<b>Gross</b>	<b>\$1,439,600</b>	<b>(\$93,600)</b>
Executive recommends reducing GF/GP by \$200,000 and replacing it with federal funds (\$161,700) and restricted funds (\$38,300). Negative adjustments of (\$93,600) to the building occupancy charges were also recommended to reflect the actual number of FTEs utilizing the space.	Federal	715,700	115,000
	Restricted	172,000	27,200
	GF/GP	\$551,900	(\$235,800)
<b>6. Administration Law Funding Changes</b>	<b>Gross</b>	<b>\$723,500</b>	<b>(\$142,600)</b>
Executive recommends a reduction of 19.7% in this program and a funding shift of \$32,000 from GF/GP to restricted revenues.	Restricted	0	32,000
	GF/GP	\$519,900	(\$174,600)
<b>7. Reduction in Funding for Administration</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$662,300)</b>
Executive recommends reducing general funds for administration by \$801,300 by reducing travel and CSS&M, not filling vacant positions, and making fund shifts throughout the Department.	Federal	N/A	94,000
	Restricted	N/A	45,000
	GF/GP	N/A	(\$801,300)
<b>8. Education Commission of the States Membership</b>	<b>Gross</b>	<b>\$99,300</b>	<b>(\$99,300)</b>
Executive recommends elimination of the dues for the state's membership in the national organization—Education Commission of the States.	GF/GP	\$99,300	(\$99,300)
<b>9. Early Retirement and Terminal Leave Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$173,300)</b>
Savings from early retirement savings for FY 2003-04 of \$93,600 and adjustments to the terminal leave payments of \$79,700.	GF/GP	N/A	(\$173,300)

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>10. Eliminate State Tenure Commission Per Diems</b>	<b>Gross</b>	<b>\$11,100</b>	<b>(\$11,100)</b>
Executive recommends elimination of the per diem of \$50 per meeting to the State Tenure Commission members.		<b>GF/GP</b> \$11,100	<b>(\$11,100)</b>

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 215. Unexpended General Funds - NEW**

Executive recommends allowing the Department to keep half of their unexpended GF/GP at the end of FY 2002-03 to be used in FY 2003-04 instead of lapsing back to the general fund.

**Sec. 216. Privatization Language - DELETED**

The Department must give a 60-day notice and a detailed report to the Legislature before it can privatize any program. The Executive recommends deleting this language.

**Sec. 218. Buy American Language - DELETED**

Prohibits the purchase of foreign goods or services if competitively priced and comparable quality American goods are available. The Executive recommends deleting this language.

**Sec. 403(3). Former Michigan School for Blind Surplus Property - DELETED**

Mandates that the Department must get the approval of the subcommittee before renting, leasing, or declaring surplus property at the superintendent's house on the former Michigan School for the Blind site. The Executive recommends deleting this language.

**Sec. 601. Charter School Office - MODIFIED**

Requires the Department to staff the charter school office with 3.5 FTEs and \$350,000. The Executive strikes the 3.5 FTEs and \$350,000 and requires the Department to allocate sufficient funds to administer charter school legislation.

**Various Legislative Reports - DELETED**

Executive recommends deleting language throughout the bill that requires reports to the Legislature.



**Summary: Executive Budget Recommendation**  
**HIGHER EDUCATION**  
**FY 2003-04 House Bill 4396**

**Analyst: Hank Prince**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
<b>IDG/IDT</b>	\$109,548,100	\$103,716,800	(\$5,831,300)	(5.3)
<b>Federal</b>	358,600	440,800	82,200	22.9
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	36,073,900	31,201,300	(4,872,600)	(13.5)
<b>GF/GP</b>	38,047,311	36,328,900	(1,718,411)	(4.5)
<b>Gross</b>	<b>\$184,027,911</b>	<b>\$171,687,800</b>	<b>(\$12,340,111)</b>	<b>(6.7)</b>
<b>FTEs</b>	854.5	819.0	(35.5)	(4.2)

**Overview**

The higher education budget currently provides funding for the operational needs of state universities, need-based and merit-based financial aid programs for college students, grants for independent colleges and universities, and support for statewide programs. General Fund/General Purposes monies account for 95% of the funding sources for this budget.

**Summary of Major Budget Issues**

***State University Operational Funds***

The Executive budget proposes \$1.45 billion, a reduction of 6.7 % from current-year levels. The governor's budget applies the reduction uniformly across the FY 2002-03 funding levels for the fifteen state universities.

***Statewide Programs***

Included in the Executive budget is \$64.7 million, a reduction of nearly \$7 million in support of these programs. Among the cuts recommended is elimination of the FY 2002-03 one-time funding for the MSU Rare Isotope Accelerator grant.

***Michigan Merit Awards***

Funding for this program is recommended at \$65.1 million to support awards for graduating high-school seniors from the classes of 2000 through 2003 who achieved qualifying scores on the Michigan Educational Assessment Program (MEAP) test or on the ACT or SAT college-entrance tests. Awards for recipients from the class of 2004 would be funded in the FY 2004-05 budget.

***Tuition Incentive Program (TIP)***

The Executive recommends an increase of \$4 million in this program targeted at low-income Medicaid-eligible students by providing financial assistance to attend college. The additional funding addresses increased participation rates and higher college costs.

***Other Financial Aid Programs***

The Executive proposes elimination of seven financial aid and grant programs and the creation of a new needs-based Michigan Opportunity Scholarship program, which would absorb nearly all of the funding currently directed to five of the seven programs proposed for termination.

***MPERS Contribution Subsidy***

The Executive proposes to use funds in a Michigan Public School Employee Retirement System (MPERS)

stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPSERS system.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. State Universities - Operations</b>			
The Executive proposes elimination of Merit Award Trust Fund monies to support base state appropriations and reduces the total appropriation by 6.7%. GF/GP monies are cut by 6.3%.		<b>Gross</b>	<b>\$1,558,942,342 (\$105,006,842)</b>
		Restricted	8,077,436 (8,077,436)
		GF/GP	\$1,550,864,906 (\$96,929,406)
<b>2. Statewide Programs</b>			
Three statewide programs (Rare Isotope Accelerator, the Japan Center, and the Midwest Higher Education Compact dues) would not be supported in FY 2003-04.		<b>Gross</b>	<b>\$71,633,375 (\$6,973,775)</b>
The one-time Accelerator grant was awarded to MSU for architectural design of such a facility, which would be built at MSU only if the federal government decides to fund such an endeavor and if MSU were selected as the location.		Restricted	2,260,887 (2,260,887)
The Agricultural Experiment Station (AES), the Cooperative Extension Service (CES), and Project GREEN (whose funding is partially included in AES and partially in CES) would receive 93.3% of FY 2002-03 funding.		GF/GP	\$69,372,488 (\$4,712,888)
Support for the higher education database (HEIDI), housed in the Center for Geographic Information, would be trimmed by 17.1% as part of state agency administrative savings.			
<b>3. Michigan Merit Award Program</b>			
This program would receive a 1.2% increase in restricted-dollar funding to support residual payments for the classes of 2000 through 2003.		<b>Gross</b>	<b>\$64,323,850 \$776,150</b>
The Executive has also proposed that these awards be reduced from \$2,500 to \$500 for high school graduation classes beginning with the class of 2004. Payment of awards for that class would be funded in the FY 2004-05 budget.		Restricted	64,323,850 776,150
<b>4. Michigan Opportunity Scholarships</b>			
The Governor has proposed a new scholarship program that would replace five of the seven financial aid and grant programs (described below). The new program would be needs-based and provide support for in-state use of these scholarships at a public or independent college or university.		<b>Gross</b>	<b>\$0 \$112,444,900</b>
Under a phase-out plan, current recipients of state competitive scholarships and tuition grant programs would continue to receive funding as long as they remain eligible.		Federal	0 2,900,000
FY 2003-04 funding for this initiative would be slightly less than the FY 2002-03 aggregate of the five financial aid programs.		GF/GP	\$0 \$109,544,900
<b>5. State Competitive Scholarships</b>			
This program, which provides support to students attending a public or independent college or university and which is needs- and merit-based, would be eliminated, and the funding transferred to the Michigan Opportunity Scholarship program.		<b>Gross</b>	<b>\$35,993,486 (\$35,993,486)</b>
		Federal	3,600,000 (3,600,000)
		GF/GP	\$32,393,486 (\$32,393,486)
<b>6. Tuition Grants</b>			
This program, which provides support to students attending only an independent college or university and which is needs-based, would be eliminated and the funding transferred to the proposed Michigan Opportunity Scholarship program.		<b>Gross</b>	<b>\$64,778,121 (\$64,778,121)</b>
		GF/GP	\$64,778,121 (\$64,778,121)

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>7. Michigan Work-Study Program</b>	<b>Gross</b>	<b>\$7,855,475</b>	<b>(\$7,855,475)</b>
Financial support for this program, which provides support to students attending a public or independent college or university at least half-time and which is needs-based, would be eliminated, and monies would be transferred to the proposed Michigan Opportunity Scholarship program.	GF/GP	\$7,855,475	(\$7,855,475)
<b>8. Adult Part-time Grant</b>	<b>Gross</b>	<b>\$2,844,937</b>	<b>(\$2,844,937)</b>
The Executive proposes the termination of funding for this program, which provides support to students attending a public or independent college or university and which is needs-based, and the transfer of funding to the proposed Michigan Opportunity Scholarship program.	GF/GP	\$2,844,937	(\$2,844,937)
<b>9. Michigan Education Opportunity Grants</b>	<b>Gross</b>	<b>\$2,234,692</b>	<b>(\$2,234,692)</b>
Funding for this program, which provides support to students attending a Michigan public community college or university and which is needs-based, would be eliminated, and monies transferred to the proposed Michigan Opportunity Scholarship program.	GF/GP	\$2,234,692	(\$2,234,692)
<b>10. Degree Reimbursement Grants</b>	<b>Gross</b>	<b>\$6,870,008</b>	<b>(\$6,870,008)</b>
The Executive proposes termination of this program, which provides funds to independent colleges and universities based on the number of prior academic-year graduates.	GF/GP	\$6,870,008	(\$6,870,008)
<b>11. Tuition Incentive Program (TIP)</b>	<b>Gross</b>	<b>\$5,250,000</b>	<b>\$4,000,000</b>
The Executive recommends an increase of \$4 million in this program targeted at low-income Medicaid-eligible students by providing financial assistance to attend college. The additional funding addresses increased participation rates and higher college costs.	Restricted	5,250,000	4,000,000
<b>12. MPSERS Contribution Subsidy</b>			
The Executive proposes to use funds in a Michigan Public School Employee Retirement System (MPSERS) stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPSERS system. There is no appropriation required for this action to occur.	<b>Gross</b>	<b>N/A</b>	<b>N/A</b>

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 301. State Competitive Scholarships - DELETED**

Language related to competitive scholarships is deleted, since the Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program..

**New Sec. 301. Michigan Opportunity Scholarships - NEW**

A new needs-based scholarship program that consolidates the funding from seven current financial aid programs and grants is proposed by the Executive.

**Sec. 302. Tuition Grants - DELETED**

The Executive proposes repeal of the underlying statute and enactment of the Michigan Opportunity Scholarship program. Hence, language related to the tuition grant program is recommended for deletion.

**Sec. 303. Michigan Work-Study Program - DELETED**

Language related to the Michigan work-study program is deleted, since the Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program.

**Major Boilerplate Changes from FY 2002-03:**

***Sec. 304. General Degree Reimbursement Grant - DELETED***

The Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program. Therefore, language related to the tuition grant program is proposed for deletion.

***Sec. 305. Allied Health Degree Reimbursement Grant - DELETED***

Language related to the allied health degree reimbursement grant program is deleted, since the Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program.

***New Sec. 305. Michigan Merit Award Program - NEW***

The Executive proposes language that indicates that the FY 2003-04 appropriation provides support for awards for the classes of 2000 through 2003. Awards for the class of 2004 would be paid from the FY 2004-05 appropriation.

***New Sec. 308. Dental Clinics Grant - NEW***

The Executive adds language to specify that funds provided to the University of Detroit Mercy and previously listed as a dental degree reimbursement line item is intended to support dental clinical services (as the current appropriation does).

***New Sec. 404 (former Sec. 436). Tuition Restraint - REVISED***

Current law specifies a maximum resident undergraduate tuition and fee increase for FY 2002-03 of the greater of \$425 or 8.5%. The Executive proposes "reasonable" tuition increases without stating a limit either in dollar increase or in percent increase.

# Summary: Executive Budget Recommendation

## SCHOOL AID

### FY 2003-04 House Bill 4401

**Analysts: Mary Ann Cleary  
Laurie Cummings**

#### FY 2003-04 Appropriation Recommendations

There is currently a school aid budget in place for FY 2003-04.

The numbers in the table below reflect the change from FY 2002-03 after proration.

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,219,825,200	1,244,363,100	24,537,900	0.0
Local	700,000	0	(700,000)	(1.0)
Private	0	0	0	0.0
Restricted	11,164,441,400	11,223,600,000	59,158,600	0.0
GF/GP	198,413,500	0	(198,413,500)	(1.0)
Gross	<b>\$12,583,380,100</b>	<b>\$12,467,963,100</b>	<b>(\$115,417,000)</b>	0.0
FTEs	0.0	0.0	0.0	0.0

#### Overview

The School Aid budget makes appropriations to the state's 554 local school districts, 184 public school academies, and 57 intermediate school districts for operations and certain categorical programs. It also appropriates funds to the Departments of Education, Career Development, and other departments to implement certain grants and other programs related to K-12 education.

#### Summary of Major Budget Issues

##### **Foundation Allowances**

Per-pupil foundation allowances, which are used to support day-to-day school operations, were recommended to remain at the FY 2002-03 level.

##### **Revenue Sources**

The budget assumes \$100 million in new revenue from refinancing the School Bond Loan Fund debt, \$50 million in new money from two new lottery games, and \$20.3 million from closing tax loopholes. Also, the Executive transfers \$198.6 million from Revenue Sharing to replace the General Fund contribution to the School Aid Fund.

##### **Retirement Rate Freeze**

The percentage of payroll contribution rate that districts are required to pay for school retirement would remain at the FY 2002-03 level of 12.99%, saving districts an estimated \$133 million in FY 2003-04.

##### **Adult Education**

This program was recommended to be reduced by \$57.5 million to \$20 million.

##### **Membership Blend**

The membership blend, used to calculate districts' foundation allowance payments, would change, saving an estimated \$40 million. Currently, pupil memberships are a blend of 80% of the current fall pupil count plus 20% of the previous February's count. This would change to a 50/50 blend.

**Categorical Programs Eliminated**

The following are programs recommended to be eliminated from the School Aid budget: Career Preparation System, the Partnership for Adult Learning (the "PAL" program), Math and Science Centers, Gifted and Talented Programs, School Health Curriculum grants, Accreditation Assistance to the Department, Interagency Grants, Golden Apple Awards, and the Autism grant to Grand Valley State University.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Foundation Allowance</b>	<b>Gross</b>	<b>\$9,739,820,800</b>	<b>(\$134,000,000)</b>
Executive retains per-pupil foundation allowances at the same level as FY 2002-03. The total cost estimate has been revised to reflect changes in statewide pupil counts, taxable values, and a proposed change in the pupil membership blend. (See "Major Boilerplate Changes for FY 2003-04" below.)	Restricted	9,739,820,800	(134,000,000)
<b>2. Adult Education Reduction</b>	<b>Gross</b>	<b>\$74,555,000</b>	<b>(\$57,500,000)</b>
Executive reduces the Adult Education program by \$57.5 million and reduces the per participant amount from \$2,850 to \$880.	Restricted	74,555,000	(57,500,000)
<b>3. Intermediate School District Operations</b>	<b>Gross</b>	<b>91,417,000</b>	<b>(\$6,306,300)</b>
Appropriation for ISD operations is reduced by 6.6% to \$88.7 million.	Restricted	91,417,000	(6,306,300)
<b>4. Center for Education Performance and Information</b>	<b>Gross</b>	<b>\$6,686,600</b>	<b>(\$4,062,700)</b>
Executive reduces the state appropriation for the Center for Education Performance and Information by 80% to \$863,400.	Federal	2,357,600	(426,100)
	Restricted	N/A	863,400
	GF/GP	\$4,329,000	(\$4,500,000)
<b>5. Michigan Virtual University</b>	<b>Gross</b>	<b>\$11,394,700</b>	<b>(\$3,000,000)</b>
Executive reduces the state appropriation for the Michigan Virtual University by 33% to \$1.0 million. The allocation for Learning Without Limits grants, which is funded from this line item, is reduced from \$3.5 million to \$1.0 million.	Federal	6,584,700	0
	Restricted	N/A	2,000,000
	GF/GP	\$4,810,000	(\$5,000,000)
<b>6. Vocational Education</b>	<b>Gross</b>	<b>\$29,848,600</b>	<b>(\$1,008,400)</b>
Recommendation reduces the appropriation for vocational education 3.25% from current law.	Restricted	29,848,600	(1,008,400)
<b>7. Career Preparation System</b>	<b>Gross</b>	<b>\$21,356,400</b>	<b>(\$22,200,000)</b>
Executive eliminates the Career Preparation System, which incorporates curriculum with work-based learning programs to help students make career choices.	Restricted	21,356,400	(22,200,000)
<b>8. Partnership for Adult Learning</b>	<b>Gross</b>	<b>\$19,240,000</b>	<b>(\$20,000,000)</b>
Executive eliminates the Partnership for Adult Learning program, which provides English as a second language, GED preparation, and high school completion programs.	Restricted	19,240,000	(20,000,000)
<b>9. Math and Science Centers</b>	<b>Gross</b>	<b>\$9,843,500</b>	<b>(\$10,232,300)</b>
Executive eliminates state funding for the 33 Math and Science Centers throughout the state.	Restricted	9,316,297	(9,684,300)
	GF/GP	\$527,176	(\$548,000)
<b>10. Gifted and Talented Programs</b>	<b>Gross</b>	<b>\$4,810,000</b>	<b>(\$5,000,000)</b>
Executive eliminates Gifted and Talented Programs.	Restricted	4,810,000	(5,000,000)
<b>11. School Health Curriculum Grants</b>	<b>Gross</b>	<b>\$3,059,200</b>	<b>(\$3,180,000)</b>
Executive eliminates School Health Curriculum grants to districts and ISDs.	Restricted	3,059,200	(3,180,000)
<b>12. Accreditation Assistance</b>	<b>Gross</b>	<b>\$1,924,000</b>	<b>(\$2,000,000)</b>
Executive eliminates Accreditation Assistance to the Department of Education.	GF/GP	\$1,924,000	(\$2,000,000)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Executive Change</u>
<b>13. Early Childhood Grants</b>	<b>Gross</b>	<b>\$1,924,000</b>	<b>(\$2,000,000)</b>
Recommendation eliminates Early Childhood Grants to community-based programs.		GF/GP \$1,924,000	(\$2,000,000)
<b>14. Golden Apple Awards</b>	<b>Gross</b>	<b>\$1,269,800</b>	<b>(\$1,320,000)</b>
Executive eliminates the Golden Apple Program, which awards \$10,000 to schools with high or improving MEAP scores.		Restricted 1,269,800	(1,320,000)
<b>15. Parenting Programs</b>	<b>Gross</b>	<b>N/A</b>	<b>\$3,326,000</b>
Executive provides grants to ISDs that provide programs for preschool children and their parents to improve school readiness and encourage positive parenting skills.		Restricted N/A	3,326,000

### Major Boilerplate Changes from FY 2002-03:

#### **Sec. 6(4). Membership Blend - MODIFIED**

Executive recommends changing the membership blend upon which foundation allowance payments are based from a "80/20" blend—a sum of 80% of the current fall pupil count plus 20% of the previous February's count—to a 50/50 pupil membership blend—a sum of 50% of the current fall pupil count plus 50% of the previous February's count. This change would result in an estimated \$40 million cost savings to the state.

#### **Sec. 147. MPERS Contribution Subsidy - MODIFIED**

Executive proposes to reduce the estimated percentage of payroll that districts pay for public school employee retirement from 14.37% to 12.99% contingent upon all districts in the state refinancing their School Bond Load Fund loans. The Executive proposes to use funds in a Michigan Public School Employee Retirement System (MPERS) stabilization subaccount to offset the difference in the contribution rates.

#### **Sec. 20(L). School District Consolidation - MODIFIED**

Governor replaces current language that gives consolidating districts a new foundation allowance equal to the highest foundation allowance among the consolidating districts plus \$50. The new language would give consolidating districts a pupil-weighted average foundation allowance plus \$10.

#### **Sec. 6(4)(y). Three-Year Average for Declining Enrollment Districts - ELIMINATED**

Current law states that pupil memberships for certain districts with declining enrollment shall be a three-year average membership, giving these districts additional pupil members to count towards their foundation allowance payments. The Executive would eliminate this provision.

#### **Throughout Bill. Reporting Requirements - MODIFIED**

Governor revised reporting requirements to specify that districts must report data to the Center for Education Performance and Information rather than to the Department of Education.

#### **Throughout Bill. Previous-Year Appropriations and Language - DELETED**

Executive deletes appropriations and language pertaining to years prior to FY 2003-04.

### New Revenue Sources for FY 2003-04

#### **Revenue Sharing Reserve Funds**

Executive recommends transferring \$198.6 million from a Revenue Sharing reserve fund to replace the General Fund contribution to the School Aid Fund. This is a one-time revenue source.

#### **School Bond Loan Fund Refinance**

Executive recommends transferring to the School Aid Fund approximately \$100 million from an anticipated refinance of School Bond Loan Fund debt. This is a one-time revenue source.

#### **New Lottery Revenues**

Two new games were recommended which would generate an estimated \$50 million in FY 2003-04 for deposit into the School Aid Fund.

#### **Closing Tax Loopholes**

Executive recommended closing various tax loopholes to raise an estimated additional \$20.3 million in revenue for schools.

